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ASSOCIATIONS, LOCAL GOVERNMENT, AND ACCOUNTABILITY

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This is the third in a series of four cables examining the effect of U.S. migration and remittances on the economy of rural Mexico.

[1](#)1. (SBU) Summary. There has been a significant growth in the influence of migrant organizations based in the U.S., often known as "hometown associations" (HTAs). While Mexican immigrants have long supported their communities of origin, HTAs are now larger and better organized, and increasingly able to affect municipal and state policies. HTA contributions enable significant infrastructure improvements, encourage greater accountability and transparency on the part of local government, and may be more effective in stimulating economic growth than family remittances. Given its vast potential, encouraging the growth of hometown association investment is likely to remain a top priority for the incoming administration. End summary.

A TOP PRIORITY

[1](#)2. (SBU) Realizing its economic promise, state and local governments are devoting more resources to promote HTA investment. Michoacan, a state that receives more than 15 percent of its GDP from remittances, created a new department solely for this purpose in 1990. Most other states have followed suit, with 26 out of 32 now having separate departments devoted to addressing migration issues. In 2000, the Migrant Assistance Office's responsibilities were greatly expanded by mandate of the current governor, Lazaro Cardenas. Carlos Perez, director of the Office for Migrant Assistance, told Econoff on April 4 that he believes that Mexican policy makers cannot underestimate the influence of HTAs, and that encouraging and leveraging hometown association investment is a top priority for the government of Michoacan. As an illustration of its importance, Perez pointed out that while the state economy grew by 3.4 percent in 2005, remittance income grew by 16 percent during the same time period. Attracting HTA investment is not only a priority for state government; the federal government created the Three-for-One initiative in 2002 for this purpose. Moreover, numerous municipalities now have programs designed to encourage HTA contributions.

¶3. (SBU) It would be difficult to overestimate HTA influence in Michoacan. According to Perez, there are an estimated 1.3 million Michoacanos in the U.S., increasingly represented by groups with hometown connections. In Chicago, the Federation of Michoacanos in Illinois claims to represent 35 clubs and over 1,000,000 citizens of Michoacan, an increase of 20 percent in 2005. Their organizational purposes may also be changing. Eneida Martinez, Coordinator of Foreign Services for Michoacan, explained to Econoff on April 4 that when she began working with migrants in 1990, HTAs were primarily social clubs. Today, however, they are organizing to serve primarily a political and economic role. Martinez also described the active recruiting programs of many HTAs, many of whom enlist new members before they leave Mexico. Nearly every town in Michoacan, no matter how small, has at least one HTA. Cojumatlan, a town of 5,000 residents, has one, while Venustiano Carranza, a farming community of 50,000 residents, has three. Since most migrants in the U.S. earn five to ten times the average salary in Mexico, HTAs normally have sizable financial resources relative to their home communities.

THE THREE-FOR-ONE PROGRAM

¶4. (SBU) The Mexican Government's Three-for-One (Tres-por-Uno) program has partially funded thousands of community development projects nationwide since its origin in ¶2002. The program provides state and federal matching funds for projects proposed by HTAs and municipal governments, who are required to present a proposal to a state panel tasked with recommending approval or disapproval. According to

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Martinez, 64 percent of submitted proposals were approved in 2005, compared to 71 percent in 2004. Martinez also explained that the panel normally prioritizes basic infrastructure improvement projects, such as road paving. However, this precedence has evolved over time. In Michoacan, 57 percent of proposals approved in 2002 were beautification works such as the renovation of a church or town plaza, but by 2005 this percentage had fallen to 23 percent. The program also continues to grow in popularity, with the number of statewide projects rising from 65 in 2002 to 148 in 2005.

¶5. (SBU) The program is also fundamentally changing the nature of relationships between migrants and their communities of origin. The Secretary of the City Council in the town of Venustiano Carranza, Sergio Gudino, is the primary liaison between the municipal government and Venustiano Carranza's hometown association in Winter Garden, CA. Gudino explained that although the relationship is usually harmonious, conflicts occasionally arise. Because the city works budget is extremely small, the city council tends to emphasize practical projects, such as irrigation, instead of the beautification works sometimes favored by the HTA. While disagreements are quickly resolved, the hometown association often holds a veto over major decisions. The city council in Venustiano Carranza also routinely consults with HTA representatives after council meetings.

¶6. (SBU) By requiring municipal authorities to collaborate with non-state entities in the design, funding, and implementation of community projects, Three-for-One is forcing a higher level of responsibility and transparency in many areas. Martinez cited several cases in 2005 where HTAs protested the non-competitive selection of higher-priced contractors and achieved significant cost savings for their project, a new phenomenon in many areas of rural Michoacan. Officially, local leaders all stated to Econoff that they welcomed the involvement of their HTA. The reaction among townspeople was even more supportive.

¶7. (SBU) Decisions regarding funding for infrastructure projects traditionally have been made in Mexico City. As a result, many rural areas of Michoacan have lacked sufficient funding to undertake meaningful development projects. However, through Three-for-One, which is driven by HTA and municipal interest, many rural areas have seen a dramatic increase in federal and state resources. An example is Venustiano Carranza. According to Gudino, there were only three state and zero federal works projects in their municipality from 1993-2002. Since 2003, through Three-for-One, there have been four projects, with seven others already planned for 2006.

INDEPENDENT PROJECTS

¶8. (SBU) Not all contributions by HTAs take the form of Three-for-One proposals; municipal leaders also solicit for independent project funding. Leonardo Hernandez, the mayor of Cojumatlan, travels to California three times a year to visit Cojumatlan's hometown association. The HTA has provided significant financial support for local projects, such as the purchase of a school bus and a computer training center. In Tanaco, a small town known for its production of wooden clocks, local leaders solicited funding from their HTA to construct a new community woodworking shop. With the influence of HTAs likely to increase, cross-border cooperation will become increasingly important in order to provide opportunities in economically depressed areas.

COMMENT

¶9. (SBU) Programs such as Three-for-One may be more successful than remittances alone in stimulating economic development, although this has been the subject of debate. For example, a recent study conducted by Michigan State University in conjunction with USAID showed that 22 percent of guava farmers funded their initial orchard through remittance income, suggesting that remittances play an important role by encouraging small business. On the other hand there is significant anecdotal evidence that remittances are often used as a substitute for declining agricultural income. Of the twenty-two remittance recipients interviewed

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in rural Michoacan and Guanajuato, eighteen spend the money primarily on basic necessities, such as food or medical treatment. Moreover, while recognizing the critical lifeline remittances provide, municipal leaders tended to emphasize the tangible long-term benefits of Three-for-One projects, such as the proposed fish oil processing plant in Venustiano Carranza which may create 200 new jobs. Every region faces specific opportunities and challenges, however, in many communities economic progress has not kept pace with the record amount of remittance income, as evidenced by the growing number of emigrants.

¶10. (SBU) HTA programs also have the potential to transform rural Mexico in several other ways. First, HTA contributions provide resources for infrastructure improvements in areas traditionally neglected by federal and state authorities. Furthermore, HTA involvement appears to encourage accountability, transparency, and decentralized decision making. Increased migrant influence and contribution is not a magic solution for Mexico's economic woes. However, their positive impacts may have multiplier effects that facilitate greater mobilization and change in the future. If other groups in rural areas also begin to demand the same standards of accountability from all levels of government, the impact of HTAs will have gone far beyond the projects themselves.

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